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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

BSM 3114 – MANAGEMENT OF STRATEGY
(All sections/Groups)

7 OCTOBER 2023
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 5 pages.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

CASE STUDY 1: FARM FRESH ON EXPANSION MODE

TheStar Corporate News (Wednesday, 12 Oct 2022)

KUALA LUMPUR: Milk producer Farm Fresh Bhd aims to expand its presence both locally and in the region, as part of its strategy to maintain competitive advantage. While its expansion will allow the company to meet its near-term demands, group managing director and group chief executive officer Loi Tuan Ee said the group's longer-term plans "promise an even more transformative outcome".

"Currently, we are in the planning phase of developing a new manufacturing hub in Bandar Enstek, Negri Sembilan, which will function as a central-processing facility for our products in Peninsular Malaysia. "By integrating our research and product development capabilities, we intend to use the facility to develop and test new product offerings for the Malaysian market," he said in the company's latest annual report.

Loi added that Farm Fresh had also earmarked Sabah and Sarawak as a growing market for its products. "We aim to set up a farm and integrated processing facility, which will allow for raw milk to be processed and a greater volume of our products delivered to key market centres in this region of Malaysia."

Separately, Loi pointed out that Asian countries had historically relied on imports, primarily from Australia, to meet their dairy needs. "Due to the vast distance needed to be covered in the importation process, however, the dairy reaching these countries' shores have mostly consisted of powdered or reconstituted dairy." Loi said this was a gap that Farm Fresh intends to address through its fresh-milk based products.

"Furthermore, we believe that we possess a compelling competitive advantage due to our superior breeding capabilities, whereby we have leveraged our ownership of one of the largest gene banks of the original Australian Friesian-Sahiwal cattle to deliver unrivalled milk yield and cattle resilience in tropical climates."

Presently, Loi said Farm Fresh had identified three key markets in Asia-Pacific, namely, Indonesia, the Philippines and Hong Kong. "Both Indonesia and the Philippines are rapidly developing economies with large population and both offer the potential to replicate our highly successful home dealer network to drive penetration in rural areas. "Meanwhile, Indonesian consumers have a high demand for halal products, which we intend to capitalise on through our strong reputation in Malaysia."

In both countries, Loi said Farm Fresh plans to establish processing facilities and manufacture its products locally by importing milk ingredients from its Kyabram facility, Australia, which will enable the production of chilled products. "Our initial focus will be on the greater Jakarta and metro Manila areas."

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Loi said Farm Fresh will employ a different model in Hong Kong. "We have already incorporated a subsidiary (FFM HK) to drive the importation, marketing and Food and Drug Administration approval of some of our dairy and plant-based products," he said. Additionally, Loi said Farm Fresh intends to roll out regenerative agriculture practices across all its farms by 2024. "These are practices that involve the recycling and reuse of liquid and solid waste generated by our herd for key functions across our farms."

Source: Farm Fresh on expansion mode. (Wednesday, 12 Oct 2022). TheStarOnline. Retrieved from <https://www.thestar.com.my/business/business-news/2022/10/12/farm-fresh-on-expansion-mode>

ANSWER ALL QUESTIONS

QUESTION 1

Farm Fresh Bhd's completion of its 65% stake acquisition in ice cream chain The Inside Scoop Sdn Bhd (TISSB) for RM84mil holds greater upside potential, says TA Research. Post-acquisition, TA Research said Farm Fresh plans to leverage the expertise and experience of the existing management of TISSB's Edmund Tan to launch consumer packaged goods (CPG) ice cream by January 2024. "The plan is to introduce a premium version of CPG ice cream under the brand The Inside Scoop and a more affordable version of CPG ice cream under the brand Farm Fresh. "Based on our channel checks, Malaysia's CPG ice cream market is currently dominated by Unilever and Nestlé," said TA Research. (TheStar Online, 07 Jun 2023).

- i. What type of acquisition does this fall under? (5 marks)
- ii. In your opinion, why did Farm Fresh decide to acquire The Inside Scoop? Explain the **FOUR (4)** benefits of growth through acquisition with examples. (20 marks)

QUESTION 2

Based on the above case, Farm Fresh Bhd aims to expand its presence both locally and internationally (Asia-Pacific), as part of its strategy to maintain competitive advantage. Elaborate **FIVE (5)** potential challenges or risks that Farm Fresh Bhd may encounter in their expansion plan to overseas operations or markets.

(25 marks)

(TOTAL: 50 Marks)

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CASE STUDY 2: THE BODY SHOP'S BUSINESS STRATEGY: DISRUPTING THE BEAUTY INDUSTRY SINCE 1976

Published: May 5, 2023 | Updated: May 16, 2023 by Brand Stories

The Body Shop International Limited is a British beauty brand specializing in cosmetics, skincare, and perfumeries, founded in 1976 by Dame Anita Roddick in Brighton, UK. Since then, The Body Shop marketing strategy hasn't stopped challenging the world of the beauty industry, holding up the sector to high standards, and encouraging radical changes. It is no secret that the brand's positioning in beauty and personal care was different from the start, and it was a critical factor in making it one of the most renowned companies with approximately 3000 stores worldwide in more than 65 countries. The Body Shop has been a pioneer in eco-friendly, sustainable, and cruelty-free products, a feat that has given the brand significant awards, certifications, and recognition. Activism has been at the forefront of the company's character, and its mission is to empower women and girls all over the world to be their best, natural selves. Anita created the refillable system, where her customers would return the empty bottles to reuse them.

The franchising strategy allowed Anita and her husband, Gordon to expand their brand, and by 1994, 89% of the stores were franchises. The Body Shop's mission would be instilled in the big corporation, resolving environmental and animal testing issues. Unfortunately, Anita passed away in 2007 and didn't get the chance to fulfill her goal. Years later, in 2017, L'Oréal sold The Body Shop to the Brazilian eco-friendly brand, Natura & Co group. Currently, along with Avon, Natura, and Aesop, The Body Shop is a subsidiary of the 4th largest pure-play cosmetics company worldwide. A company with great impact such as The Body Shop is bound to be widely celebrated and acknowledged for its achievements. They have gathered the most important ones, such as Lifetime Achievement Award – RSPCA Britain, Best Glow-Boosting Serum (Edelweiss Daily Serum Concentrate) by Marie Claire Awards, Woman & Home Beauty Awards, Beauty Brand Making a Difference by The Sunday Times Style Beauty Awards, and many more. The Body Shop is a B Corp Certified company, an award given to corporations that live up to the highest social and environmental standards. Recently, The Body Shop became a member of the B Corp Beauty Coalition, a group of 25 global companies with sustainable strategies in the beauty industry.

The Body Shop believes that social and environmental positive change is integrated into the company in every aspect, defining its objectives. Anita Roddick has proven that businesses can inspire social change and shape the status quo. That is why she founded the first cosmetics company that supported cruelty-free and ethical approaches. The Body Shop marketing mix is based on redefining and disrupting the ordinary beauty standards, making women and girls around the world feel valued, and bringing out their inner beauty with everyday rituals of self-love. Thus, they work closely with The Vegan Society, Cruelty-Free International, the Ellen Macarthur Foundation, the UEBT (Union for Ethical Biobrade), and Ecocert Environment.

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In the '70s, when Anita initiated the recycling program, it was mostly a means to an end, as she didn't have enough resources to buy enough bottles for her products. This tactic turned into a pioneering strategy that made The Body Shop a recycling, revolutionary brand. Nowadays, the corporation runs 718 in-store, large-scale refill stations in 40 countries, intending to eliminate waste plastic while giving a second life to recyclable packages. Moreover, The Body Shop's strategy is not just a tactic to promote the business. It is a genuine attempt to inspire the beauty industry and bring a positive impact on a worldwide scale.

The Community Trade recycled plastic initiative is a collaboration between The Body Shop and the Plastics for Change for-profit organization, an organization that works together with local Indian NGOs, Hasiru Dala and Hasiru Dala Innovation (HDI). The purpose of this partnership is to support waste pickers from Bengaluru, India, provide an income for this community, and use their expertise in waste management. It's not about stopping using plastic already but coming up with an effective solution that makes it recyclable and sustainable. The Community Fair Trade program started in 1987, and it's still going strong today, even after 36 years. The idea behind this program is to implement strong, long-term trading collaborations with producers, farmers, and artisans globally and receive high-quality ingredients with ethical means. The Body Shop's suppliers are in developing countries and are given fair prices for their goods, helping them provide financial opportunities for their people and communities. Some of these communities are located in Ghana, Nepal, and India, to name a few.

One of the most effective ways that The Body Shop manages to sustain its high conversions and retention rates is the initiation of a personalized omnichannel experience. A seamless customer journey ensures that the needs of its customers are comprehended and addressed. The first step towards that goal was revamping its engagement strategy with appealing creatives, a new app for its loyalty scheme, and a product recommendations engine installed on its website. Offering optimized content according to different countries across different channels was the key to implementing a unified customer experience. Data-driven decision-making is paramount for any retail business that wants to stay competitive. Accordingly, The Body Shop marketing strategy digitally transformed, and accumulated data from different sources, such as surveys, social listings, and its loyalty club. This feed of data is what drives the brand's personalization strategy, enabling it to communicate with its audience with relevant content and campaigns.

Another interesting fact of this scheme is that consumers can donate their points to charity, enforcing The Body Shop's vision even more. Moreover, it offers limited discounts and exclusive events to its followers and can be used as an in-store online wallet, creating a bridge between online and brick-and-mortar stores. The Body Shop success story is a brilliant example of a brand dedicated to disrupting the beauty industry and taking the world by storm. The brand's ethics and moral practices pave the way for a fairer world with equal opportunities and sustainability. Of course, all these were not done by chance but with strategy, sacrifices, and organization.

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Apart from being one of the most eco-friendly brands worldwide, The Body Shop's strategy has a few aces up on its sleeve. Combining technology with a powerful message made the brand reach the top of the cosmetics business and drive change from within.

Source: *The Body Shop Marketing Strategy: Disrupting the Beauty Industry Since 1976* (5 May 2023) Retrieved from <https://contactpigeon.com/body-shop-marketing-strategy/>

QUESTION 3

From the above case, discuss the **FIVE (5)** competitive advantages of Body Shop with examples. (25 marks)

QUESTION 4

In the context of the case, which Business Level Strategy can be attributed to The Body Shop? Explain **TWO (2)** relevant examples to support your explanation. (10 marks)

QUESTION 5

"The Community Trade recycled plastic initiative is a collaboration between The Body Shop and the Plastics for Change for-profit organization, an organization that works together with local Indian NGOs, Hasiru Dala and Hasiru Dala Innovation (HDI)".

In your opinion, why did the Body Shop initiate this collaboration? Justify **THREE (3)** reasons. (15 marks)

(TOTAL: 50 Marks)

End of Paper